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RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0207
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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 005497

SIPDIS

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)
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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#) [IR](#) [IZ](#) [SY](#)

SUBJECT: GAZPROM-OWNED STROYTRANSGAZ ON SYRIA, OTHER
INTERNATIONAL ACTIVITIES

REF: STATE 153799

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

SUMMARY

¶1. (C) In a November 20 meeting with Econoff, Leonid Bokhanovskiy, First Vice-President of the Gazprom-owned construction firm Stroytransgaz, confirmed that the company had completed a gas treatment facility in Syria as well as a gas pipeline from Egypt to Syria. He indicated that the company would like to do more projects in Syria, but did not yet have concrete plans. Separately, news reports indicate that Stroytransgaz is a bidder on a refinery project in Syria. Bokhanovskiy said the company plans to continue growing its international business, including into Iran and Iraq. End Summary.

STROYTRANSGAZ AND SYRIA

¶2. (C) In response to reftel, we approached Gazprom-owned construction company Stroytransgaz and asked about its work in Syria. First Vice-President Leonid Bokhanovskiy, in charge of international business development, said the company completed a pipeline from Egypt to Syria as well as a gas treatment facility there. He added that his company would like to do more business in Syria, but would not elaborate further. (N.B. Press reports indicate the company is a bidder on a refinery project in Syria and is working on a second gas treatment facility.)

STROYTRANSGAZ GROWING AND EXPANDING GLOBALLY

¶3. (SBU) Bokhanovskiy also briefly outlined his firm's international work and rapid growth. The company, which specializes in oil and gas infrastructure, was founded in 1990 and, last year, had revenues of \$2.3 billion - expected to grow to \$3 billion this year. International business accounts for 30% of the firm's revenues, but that share is growing. Bokhanovskiy said recruitment of trained personnel

is one of the biggest challenges to Stroytransgaz's continued growth. He noted that the company uses workers from India, Pakistan, and the Philippines, among others.

14. (SBU) In Russia, Bokhanovskiy said the firm is the biggest of its kind, with 30% of the market. Its domestic competitors include Lukoil affiliate Globalstroy and Gazprom Engineering. Stroytransgaz also intends to develop some oil and gas fields it owns in Russia, and is expanding into building power plants, including nuclear ones. Bokhanovsky stressed that Stroytransgaz operates "completely independently" of Gazprom.

15. (C) In addition to the pipeline in Syria, the company has worked on projects in India, Algeria, Saudi Arabia, Greece, Turkey, Finland, Sudan, and several of the former Soviet Republics. Stroytransgaz is interested in the Iranian market but, remarked Bokhanovsky, it is "very difficult to do business there since they prefer to use their own companies." He added that U.S. policies toward Iran "make it even more difficult" to deal with Iran. The company is also looking at Iraq, but is concerned that the situation is not yet stable enough.

16. (SBU) According to Bokhanovskiy, Stroytransgaz has enjoyed "long-term cooperation" with American firms Fluor, Bechtel, KBR, and GE. The company even built a small pipeline in Nebraska in the 1990s. Stroytransgaz is working with KBR on developing an LNG gasification terminal on the Baltic coast; it would be at least a year before the project begins.

COMMENT

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17. (C) While Stroytransgaz's activities in Syria and elsewhere are likely driven by profits, being profit-driven does not automatically make the company a legitimate player in the global marketplace. Like other Gazprom subsidiaries and state-controlled entities in Russia, Stroytransgaz's ownership structure and dealings are less than transparent. The company has been accused of shady deals in the past, and before Putin's appointment of Alexey Miller, Stroytransgaz was widely believed to be owned largely by the children of former Gazprom chairman Rem Vyakhirev and former Prime Minister Viktor Chernomyrdin (now Russian Ambassador to Kyiv). Putin and Miller allegedly arranged for the previous owners to be bought out. While it is not entirely clear who owns Stroytransgaz, it is clear that this company has attracted an abnormal amount of political attention in its lifetime. Moreover, Bokhanovskiy, while coming across as an executive looking to expand his company's business, was not entirely forthcoming about its activities, despite his stated interest in transparency. End Comment.

BURNS